Sutlej Holdings Inc. and Subsidiary

Consolidated Financial Statements

March 31, 2022 and March 31, 2021

KNAV P.A.

Certified Public Accountants

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Table of Contents

Independent Auditor's Report

Board of Directors
Sutlej Holdings Inc. and Subsidiary

Opinion
We have audited the accompanying consolidated financial statements of Sutlej Holdings Inc. and Subsidiary ("the Company"), which comprise the consolidated balance sheets as of March 31, 2022, and March 31, 2021, and the related consolidated statements of loss, stockholder's equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of March 31, 2022, and March 31, 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for opinion
We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the consolidated financial statements' section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of management for the consolidated financial statements
Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Company's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditor's responsibilities for the audit of the consolidated financial statements
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial

likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Company's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audits.

KNAV P.A.

Atlanta, Georgia
May 08, 2022

Consolidated Financial Statement

Consolidated balance sheets

(All amounts are in United States Dollars, unless otherwise stated)

		As at	
		March 31, 2022	**March 31, 2021**
ASSETS			
Current assets			
Cash and cash equivalents		1,243,179	326,798
Accounts receivable, net		169,822	153,485
Inventories, net		1,711,287	1,711,014
Other current assets		402,949	400,492
Total current assets	**$**	**3,527,237**	**2,591,789**
Property, plant and equipment, net		16,173	30,721
Goodwill and other intangible assets, net		947,140	969,663
Other assets		15,192	30,195
Total assets	**$**	**4,505,742**	**3,622,368**
LIABILITIES AND STOCKHOLDER'S EQUITY			
Current liabilities			
Accounts payable		762,349	682,231
Line of credit		741,024	751,837
Other current liabilities		155,220	135,009
Total current liabilities	**$**	**1,658,593**	**1,569,077**
Deferred tax liabilities		63,766	49,331
Long term borrowings		-	288,862
Total liabilities	**$**	**1,722,359**	**1,907,270**
Stockholder's equity			
Common stock		7,500,000	5,700,000
Accumulated deficit		(4,716,617)	(3,984,902)
Total stockholder's equity	**$**	**2,783,383**	**1,715,098**
Total liabilities and stockholder's equity	**$**	**4,505,742**	**3,622,368**

(The accompanying notes are an integral part of these consolidated financial statements)

Consolidated statements of loss

(All amounts are in United States Dollars, unless otherwise stated)

		For the year ended	
		March 31, 2022	**March 31, 2021**
Revenue from operations		4,964,062	3,277,092
Other income		732,761	192
Total revenue	**$**	**5,696,823**	**3,277,284**
Cost of goods sold		3,895,199	2,419,668
Gross profit	**$**	**1,801,624**	**857,616**
Costs and expenses			
Employee cost		1,309,195	1,395,980
Selling, general and administrative expenses		1,037,468	1,038,719
Depreciation and amortization		35,999	65,005
Total cost and expenses	**$**	**2,382,662**	**2,499,704**
Operating loss		**(581,038)**	**(1,642,088)**
Interest expense		136,198	119,268
Loss before taxes	**$**	**(717,236)**	**(1,761,356)**
Income tax expense			
Current tax expense		43	57
Deferred tax expense		14,436	14,437
Net loss	**$**	**(731,715)**	**(1,775,850)**

(The accompanying notes are an integral part of these consolidated financial statements)

Consolidated statements of stockholder's equity

(All amounts are in United States Dollars, except number of shares)

	Common stock					
	Authorized		Issued & outstanding		Accumulated	Total
Particulars	**Shares**	**Value**	**Shares**	**Value**	**deficit**	**stockholder's equity**
Balance as at April 01, 2020	**4,500**	**4,500,000**	**4,500**	**4,500,000**	**(2,209,052)**	**2,290,948**
Increase in authorized shares and issuance of common stock	1,200	1,200,000	1,200	1,200,000	-	1,200,000
Net loss for the year	-	-	-	-	(1,775,850)	(1,775,850)
Balance as at March 31, 2021	**5,700**	**5,700,000**	**5,700**	**5,700,000**	**(3,984,902)**	**1,715,098**
Balance as at April 01, 2021	**5,700**	**5,700,000**	**5,700**	**5,700,000**	**(3,984,902)**	**1,715,098**
Increase in authorized shares and issuance of common stock	1,800	1,800,000	1,800	1,800,000	-	1,800,000
Net loss for the year	-	-	-	-	(731,715)	(731,715)
Balance as at March 31, 2022	**7,500**	**7,500,000**	**7,500**	**7,500,000**	**(4,716,617)**	**2,783,383**

(The accompanying notes are an integral part of these consolidated financial statements)

Consolidated statements of cash flows

(All amounts are in United States Dollars, unless otherwise stated)

	For the year ended	
	March 31, 2022	**March 31, 2021**
Cash flows from operating activities		
Net loss	(731,715)	(1,775,850)
Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation and amortization	35,999	65,005
Deferred taxes expenses	14,436	14,437
Allowance for doubtful debts	14,965	35,287
Provision for slow moving and obsolete inventory	110,000	98,093
Income from waiver of Paycheck Protection Program ("PPP") loan (refer Note L)	(519,362)	-
Changes in assets and liabilities		
Accounts receivable	(31,302)	47,101
Inventories	(110,273)	365,789
Other current assets	(2,457)	(65,862)
Other assets	15,003	(15,000)
Accounts payable	80,118	(769,143)
Other current liabilities	22,449	(56,267)
Net cash used in operating activities	**(1,117,139)**	**(2,056,410)**
Cash flows from investing activities		
Purchase of property, plant, and equipment	(1,167)	(612)
Internally developed software in progress	-	(48,952)
Net cash used in investing activities	**(1,167)**	**(49,564)**
Cash flow from financing activities		
PPP loan received (refer Note L)	230,500	288,862
Line of credit, net	(10,813)	(41,292)
Proceeds from issuance of common stock	1,800,000	1,200,000
Net cash provided by financing activities	**2,019,687**	**1,447,570**
Net increase (decrease) in cash and cash equivalents	**916,381**	**(658,404)**
Cash and cash equivalents at the beginning of the year	326,798	985,202
Cash and cash equivalents at end of the year	**1,243,179**	**326,798**
Supplemental cash flow information		
Income taxes paid	43	61
Interest paid	99,927	99,723

(The accompanying notes are an integral part of these consolidated financial statements)

Notes to Consolidated Financial Statements

(All amounts in United State Dollars, unless otherwise stated)

NOTE A - NATURE OF OPERATIONS

1. *Organization and nature of operations*
   Sutlej Holdings Inc. was incorporated on September 28, 2017, in the state of Delaware and is a wholly owned subsidiary of Sutlej Textiles and Industries Limited ("the Parent Company"), a Company incorporated in India. Sutlej USA, LLC, a wholly owned subsidiary of Sutlej Holdings Inc. (collectively referred to as "the Company" or "the Group") was also incorporated on September 28, 2017, in the state of Delaware. Pursuant to a business combination, the name of Sutlej USA, LLC was changed to American Silk Mills, LLC. The Company is primarily engaged in the design, manufacture, and worldwide distribution of textiles to wholesalers, manufacturers, and retailers for the home furnishing industry.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies applied in the preparation of the accompanying consolidated financial statements are as follows

2. *Basis of preparation*

   i. The accompanying consolidated financial statements are prepared under historical cost convention on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America to reflect the consolidated financial position, results of consolidated operations and consolidated cash flows.

   ii. The consolidated financial statements have been presented for the years ended March 31, 2022 and March 31, 2021.

   iii. Certain reclassifications, regroupings and reworking have been made in the consolidated financial statements of prior periods to conform to the classifications used in the current year. These changes had no impact on previously reported net loss or stockholder's equity.

   iv. Principles of consolidation
   The accompanying consolidated financial statements include the accounts of Sutlej Holdings, Inc. and American Silk Mills, LLC (erstwhile known as "Sutlej USA, LLC"); its wholly owned subsidiary. All material inter-company transactions and balances between Sutlej Holdings, Inc. and American Silk Mills, LLC have been eliminated.

3. *Use of estimates*

   The preparation of the consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements. The management's estimates for, determination of useful lives for property, plant and equipment and impairment of goodwill and intangible assets, long-lived assets; revenue recognition, provision for doubtful accounts, the valuation of deferred tax assets, inventory reserves, income tax uncertainties and other contingencies at the balance sheet date represent certain of these particularly sensitive estimates. Management believes that the estimates used in the preparation of the consolidated financial statements are prudent and reasonable. Actual results could differ from these estimates. Appropriate changes in estimates are made as management becomes aware of changes in circumstances surrounding the estimates. Any revision to accounting estimates is recognized prospectively in the current and future periods.

4. *Cash and cash equivalents*

The Company considers all investments with original maturities of ninety days or less to be cash and cash equivalents. Cash and cash equivalents comprise of balance with banks and petty cash balances.

5. *Allowance for doubtful accounts*

The Company follows specific identification method for recognizing bad debts. Management analyses accounts receivable and the composition of the accounts receivable aging, historical bad debts, current economic trends, and customer credit worthiness when evaluating the adequacy of the provision for doubtful accounts.

6. *Inventories*

Inventories are stated at the lower of cost and market value using the first in first out method. Cost in the case of raw materials comprises the purchase price and attributable direct costs, less trade discounts. The Company periodically reviews its inventories to determine whether any inventories have declined in value and records a charge to operations for known and estimated inventory obsolescence. In evaluating whether inventory is stated at the lower of cost or market, management considers such factors as the amount of inventory on hand and in the distribution channel, the estimated time required to sell such inventory, and current and expected market conditions, including levels of competition. Adjustments to reduce inventories to their net realizable value are charged to cost of goods sold in the consolidated statement of loss.

7. *Property, plant, and equipment*

Property, plant, and equipment are stated at cost less accumulated depreciation and impairment. Depreciation is provided over the estimated useful life of the assets using the straight-line method. Expenditures for maintenance and repairs are expensed as incurred. When assets are retired or otherwise disposed of, the cost of the asset and related depreciation are eliminated from the financial records. Any gain or loss on disposition is credited or charged to income. The estimated useful lives of assets are as follows:

Class of asset	Useful life
Computer equipment	6 years
Office equipment	3 to 6 years
Machinery and equipment	3 to 6 years
Furniture and fixtures	3 to 6 years
Leasehold improvements	Over the term of the lease

8. *Internally developed software costs*

The Company capitalizes costs related to development of internal use software. Costs incurred during the preliminary project work stage or conceptual stage are expensed as incurred. As per Accounting Standards Codification ("ASC") 350-40, costs incurred in the application development phase are capitalized as intangible assets and are amortized from the point at which the asset is available for use. Directly attributable costs that are capitalized as part of the software include software consultant's cost and an appropriate portion of relevant overheads.

During the year ended March 31, 2022, the Company has capitalized internally developed software in progress amounting to $Nil (March 31, 2021 - $48,952) and transferred intangibles worth $Nil (March 31, 2021 – 101,357) to software upon completion. The asset under development and not available for use as at March 31, 2022 amounts to $Nil (March 31, 2021 – $2,214).

Costs incurred during the post-implementation/operation stage, including training costs and maintenance costs, are expensed as incurred.

9. *Business combinations, goodwill, and intangible assets*

The Company accounts for goodwill and intangible assets in accordance with Financial Accounting Standards Board ("FASB") issued Accounting Standards Codification ("ASC") 350, Intangibles – Goodwill and Other ("ASC 350"). ASC 350 requires that goodwill and other intangibles with indefinite lives should be tested for impairment annually or on an interim basis if events or circumstances indicate that the fair value of an asset has decreased below its carrying value.

Goodwill is tested for impairment at the reporting unit level on an annual basis and between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying value.

The Company has adopted the provisions of Accounting Standards Update ("ASU") 2017-04, "Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment" ("ASU 2017-04"). ASU 2017-04 eliminates the second step of the goodwill impairment test. For goodwill impairment tests, if the carrying value of a reporting unit exceeds its fair value, the Company will measure any goodwill impairment losses as the amount by which the carrying amount of a reporting unit exceeds its fair value, not to exceed the total amount of goodwill allocated to that reporting unit.

The Company recorded a goodwill of $750,000 pursuant to the acquisition of the business and assets of American Silk Mills, LLC based on the purchase price allocation ('PPA') undertaken to assess the fair value of assets and liabilities acquired in the acquisition.

The Company amortizes intangible assets over their estimated useful lives unless such lives are determined to be indefinite. Amortizable intangible assets are amortized over their estimated useful lives in proportion to the economic benefits consumed in each period. Intangible assets with indefinite lives are tested at least annually for impairment and written down to fair value as required.

The estimated useful lives of the amortizable intangible assets are as follows:

Class of asset	Useful life
Software	6 to 12 years
Internally developed software	6 to 12 years

10. *Impairment of long-lived assets*

Long-lived assets, including certain identifiable intangible assets, to be held and used are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Such assets are considered to be impaired if the carrying amount of the assets is higher than the future undiscounted net cash flows expected to be generated from the assets. The impairment amount to be recognized is measured by the amount by which the carrying value of the assets exceeds its fair value.

11. *Revenue recognition*

The Company has adopted Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, Revenue from Contracts with Customers (Topic 606). Revenue is recognized upon transfer of control of products or services promised to customers in an amount that reflects the consideration the Company expects to receive in exchange for these products or services. Please refer to Note N, "Revenue from Contracts with Customers" for further information on the Company's revenue.

The core principle of Accounting Standard Codification ("ASC") 606 is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Revenue is recognized when obligations under the terms of a contract with a customer are satisfied; generally, this occurs with the transfer of control of the Company's products or services. Revenue is measured as the amount of consideration the Company expects to receive in exchange for transferring goods or providing services. A performance obligation is a promise in a contract to transfer a distinct good or service to the customer and is the unit of account in the contract. A contract's transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied.

The Company's performance obligations are satisfied at a point in time. This includes sales of the Company's broad range of unique textiles for the residential, contract, hospitality, and furniture markets in the United States of America. For a majority of these sales, the Company's performance obligation is satisfied upon delivery to the customer. Shipping and handling activities are considered to be fulfilment activities and are not considered to be a separate performance obligation.

12. *Income taxes*

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the consolidated financial statements carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance is recorded for deferred tax assets if it is more likely than not that some portion or all of the deferred tax assets will not be realized. All deferred tax assets and liabilities, along with any related valuation allowance, is classified as non-current on the consolidated balance sheets.

The Company recognizes liabilities for uncertain tax positions based on a two-step process. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step is to measure the tax benefit as the largest amount which is more than 50% likely of being realized upon ultimate settlement. The Company recognizes interest and penalties related to uncertain tax positions in the consolidated statement of loss.

13. *Operating lease*

Lease payments under operating lease are recognized as an expense on a straight-line basis over the lease term in the consolidated statement of loss.

14. *Commitments and contingencies*

Liabilities for loss contingencies arising from claims, assessments, litigation, fines, and penalties and other sources are recorded when it is probable that a liability has been incurred and the amount can be reasonably estimated. Legal costs incurred in connection with loss contingencies are expensed as incurred. Contingent liabilities are not recognized but disclosed in notes to the consolidated financial statements. Contingent assets are neither recognized nor disclosed.

15. *Fair value measurements*

Assets and liabilities recorded at fair value in the consolidated financial statements are categorized based upon the level of judgement associated with the inputs used to measure their fair value. Hierarchical levels which are directly related to the amount of subjectivity associated with the inputs to the valuation of these assets or liabilities are as follows:

Level 1 – unadjusted quoted prices in active markets for identical assets or liabilities that the Company has the ability to access as of the measurement date.

Level 2 – inputs other than quoted prices included within Level 1 that are directly observable for the asset or liability or indirectly observable through corroboration with observable market data.

Level 3 – unobservable inputs for the asset or liability only used when there is little, if any, market activity for the asset or liability at the measurement date.

This hierarchy requires the Company to use observable market data, when available and to minimize the use of unobservable inputs when determining fair value. The Company's financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable, line of credit and accrued liabilities.

NOTE C - CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise of the following:

	As at	
	March 31, 2022	March 31, 2021
Balance with bank	1,243,146	326,765
Cash in hand	33	33
Total	**1,243,179**	**326,798**

Cash balances on deposits with bank are insured by the Federal Deposit Insurance Corporation up to an aggregate of $250,000.

NOTE D - ACCOUNTS RECEIVABLE, NET

Accounts receivable, net, comprise of the following:

	As at	
	March 31, 2022	March 31, 2021
Receivable from customers	187,367	156,295
Less: Allowance for doubtful debts	(17,545)	(2,810)
Total	**169,822**	**153,485**

The movement in the allowance for doubtful debts during the year is as under:

	For the year ended	
	March 31, 2022	March 31, 2021
Beginning balance	2,810	1,819
Add: During the year provision	14,965	35,287
Less: During the year write off	(230)	(34,296)
Total	**17,545**	**2,810**

The Company's accounts receivable serve as a collateral to the line of credit entered into by the Company with the financing company.

NOTE E - INVENTORIES

Inventories, net, comprise of the following:

	As at	
	March 31, 2022	March 31, 2021
Raw materials	287,749	415,454
Finished goods	1,325,320	1,291,893
Finished goods-in-transit	247,951	151,193
Less: Provision for slow moving and obsolete inventory	(149,733)	(147,526)
Total	**1,711,287**	**1,711,014**

The movement in the provision for slow moving and obsolete inventory during the year is as under:

	For the year ended	
	March 31, 2022	**March 31, 2021**
Beginning balance	147,526	75,078
Add: During the year provision	110,000	98,093
Less: During the year write off	(107,793)	(25,645)
Total	**149,733**	**147,526**

The Company's inventories serve as a collateral to the line of credit entered into by the Company with the financing company.

NOTE F - OTHER CURRENT ASSETS

Other current assets comprise of the following:

	As at	
	March 31, 2022	**March 31, 2021**
Prepaid expenses	291,206	336,925
Advances to suppliers	12,716	9,211
Others	99,027	54,356
Total	**402,949**	**400,492**

NOTE G - PROPERTY, PLANT AND EQUIPMENT, NET

Property, plant and equipment, net, comprise of the following:

	As at	
	March 31, 2022	**March 31, 2021**
Machinery and equipment	31,625	31,625
Computer equipment	12,323	12,323
Office equipment	42,452	41,285
Furniture and fixtures	60,761	63,809
Leasehold improvements	39,254	39,254
Total	**186,416**	**188,296**
Less: accumulated depreciation	(170,242)	(157,575)
Total	**16,173**	**30,721**

Depreciation expense for the year ended March 31, 2022, and March 31, 2021, amounts to $15,690 and $49,387, respectively. During the year ended March 31, 2022, the Company scrapped fully depreciated furniture and fixtures of gross value $3,048 and accumulated depreciation of $3,048 for a sale consideration of $Nil.

NOTE H - GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill and other intangible assets comprise of the following:

	As at	
	March 31, 2022	**March 31, 2021**
Goodwill	750,000	750,000
Software	247,940	247,940
Less: Accumulated amortization	(50,800)	(30,491)
Total	**947,140**	**967,449**
Internally developed software in progress	-	2,214
Total	**947,140**	**969,663**

Amortization expense for the year ended March 31, 2022, and March 31, 2021, amounts to $20,309 and $15,618, respectively. Internally developed software of $2,214 have been written off during the year ended March 31, 2022 and charged to consolidated statement of loss.

The Company's estimate of future amortization expense is as follows:

For the year ending	Amount ($)
March 31, 2023	20,309
March 31, 2024	20,309
March 31, 2025	20,309
Thereafter	136,213
	197,140

NOTE I - OTHER ASSETS

Other assets comprise of the following:

	As at	
	March 31, 2022	March 31, 2021
Security deposit	15,192	30,195
Total	**15,192**	**30,195**

NOTE J - ACCOUNTS PAYABLE

Accounts payable comprise of the following:

	As at	
	March 31, 2022	March 31, 2021
Due to related party	135,767	71,044
Other trade payables	626,582	611,187
Total	**762,349**	**682,231**

NOTE K - LINE OF CREDIT

Line of credit comprise of the following:

	As at	
	March 31, 2022	March 31, 2021
Rosenthal loan	741,024	751,837
Total	**741,024**	**751,837**

In April 2019, the Company entered into a factoring agreement (the "Facility") with a finance company. The Facility provides both factoring and revolving credit line of up to $2,700,000, subject to borrowing base availability and extends its maturity to October 31, 2022. The line of credit is pledged against Company's accounts receivable and inventory. The Facility bears interest upon the daily net balance of any monies remitted, paid, or otherwise advanced to the Company which if:

(i) not in excess of the receivables availability, is charged at a rate per annum equal to receivable interest rate @ 6%.
(ii) in excess of receivables availability but not in excess of the receivables availability plus the inventory availability is charged at a rate per annum equal to the inventory interest rate @6.5%.

During the year ended March 31, 2022, factoring commission expenses of $46,475 (March 31, 2021: $31,602) and factoring interest expenses of $85,951 (March 31, 2021: $75,771) have been charged to consolidated statements of loss.

In accordance with FASB issued ASC 860-10, Transfers and Servicing, the factoring arrangement with recourse obligation has not met all the three conditions for sale of a receivable. As at March 31, 2022, the recourse obligation amounts to $46,014 (March 31, 2021: $33,059).

NOTE L - LONG TERM BORROWINGS

Long term borrowings comprise of the following:

	As at	
	March 31, 2022	**March 31, 2021**
Paycheck Protection Program loan	-	288,862
Total	**-**	**288,862**

In April 2020, the Company applied for and received a Paycheck Protection Program ("PPP") loan from the Small Business Administration ("SBA") through M&T Bank ("lender"). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loan amount was $288,862 and carried an interest rate of 1%. The term of the loan was 5 years. The principal payments for the first sixteen months are deferred. The loan is forgivable if certain conditions are met under SBA guidelines. During the year ended March 31, 2022, the Company received a complete waiver and recorded gain on the PPP loan extinguishment of $288,862 outstanding as of March 31, 2021.

During the year ended March 31, 2022, the Company additionally received a PPP loan for $230,500 which has also been forgiven during the year.

NOTE M - OTHER CURRENT LIABILITIES

Other current liabilities comprise of the following:

	As at	
	March 31, 2022	**March 31, 2021**
Employee liabilities	45,364	13,950
Accrued expenses	66,691	85,134
Advance from customers	42,909	35,668
Provision for income taxes	257	257
Total	**155,220**	**135,009**

NOTE N - REVENUE FROM CUSTOMER CONTRACTS

The following table presents revenue disaggregated by product line:

	For the year ended	
	March 31, 2022	**March 31, 2021**
Revenue from sale of goods	4,964,062	3,277,092
Total	**4,964,062**	**3,277,092**

The following table presents revenue disaggregated by timing of recognition:

	For the year ended	
	March 31, 2022	**March 31, 2021**
At a point in time	4,964,062	3,277,092
Total	**4,964,062**	**3,277,092**

Revenue disaggregated by geography based on Company's locations:

	For the year ended	
	March 31, 2022	**March 31, 2021**
United States	4,473,277	3,058,890
Canada	147,103	70,437
Hong Kong	203,953	-
China	89,186	90,380
Australia	-	493
Others	50,543	56,892
Total revenue from operations	**4,964,062**	**3,277,092**

Contract balances
The Company contracts with customers with dealer agreements and purchase orders. These contracts with customers typically consist of sale of products which represent performance obligations that are satisfied upon transfer of control of the product to the customer at a point in time.

	As at	
	March 31, 2022	**March 31, 2021**
Accounts receivable	169,822	153,485
Total	**169,822**	**153,485**

NOTE O - OTHER INCOME

Other income comprises of the following:

	For the year ended	
	March 31, 2022	**March 31, 2021**
Waiver of PPP loan (refer Note L)	519,362	-
Employee retention credit (“ERC”) *	207,582	-
Miscellaneous income	5,807	192
Total	**732,761**	**192**

*During the year ended March 31, 2022, the Company availed benefits under the ERC scheme, established under the CARES Act. It was intended to help businesses retain their workforces and avoid layoffs during the coronavirus pandemic. It provides for a refundable tax credit against certain employment taxes of up to $5,000 per employee for eligible employers. It is a per employee tax credit based on a percentage of qualified wages and health insurance benefits paid to employees. Accordingly, the Company has recorded total ERC credit refund received during the year ended March 31, 2022, amounting to $207,582 under other income in the consolidated statements of loss.

NOTE P - INCOME TAXES

The Company files federal and state tax returns as per the regulations applicable to Chapter C corporations in the United States of America. The components of the provision for income taxes are as follows:

	For the year ended	
	March 31, 2022	**March 31, 2021**
Current tax expense	43	57
Deferred tax expense	14,436	14,437
Total	**14,479**	**14,494**

The items accounting for the difference between income taxes computed at the federal statutory rate and the provision for income taxes are as follows:

	For the year ended	
	March 31, 2022	**March 31, 2021**
Income tax at federal rate	(152,934)	(370,801)
State tax, net of federal effect	(215)	(200)
Return to provision	(93,271)	(142,204)
Permanent differences	(105,688)	1,680
Changes in net operating losses	(5,022)	1,445
Changes in valuation allowance	371,608	524,574
	14,479	**14,494**

The tax effects of significant temporary differences that resulted in deferred tax assets and liabilities and a description of the items that create such differences is as follows:

	As at	
	March 31, 2022	March 31, 2021
Deferred tax assets:		
Property, plant, and equipment	367	-
Net operating losses	1,524,998	1,143,817
Accrued vacation	1,899	4,028
Inventory reserve	43,236	42,601
Provision for doubtful debts	5,066	811
Total deferred tax assets	**1,575,566**	**1,191,257**
Deferred tax liabilities:		
Property, plant and equipment	-	(3,386)
Goodwill	(63,767)	(49,331)
Software	(21,602)	(5,515)
Total deferred tax liabilities	**(85,369)**	**(58,232)**
Net deferred taxes	1,490,197	1,133,025
Less: Valuation allowance	(1,553,963)	(1,182,356)
Net deferred taxes	**(63,766)**	**(49,331)**

In assessing the realization of deferred tax assets, the likelihood of whether it is more likely than not that some portion or all of the deferred tax assets will not be realized must be considered. The ultimate realization of deferred tax assets is dependent on the generation of future taxable income during the periods in which temporary difference become deductible. Management considers earnings expectations, the existence of taxable temporary differences, tax planning strategies and the periods in which estimated losses can be utilized. Based on the history of previous year losses, the management has concluded that it is more likely than not the Company will not realize the deferred tax assets.

The Company has net operating loss carry forwards of $5,297,450 as of March 31, 2022, available to reduce future federal income taxes. If not used, the carry forwards of $66,932 will expire in 2038. Carry forwards of $5,230,518 will be allowed to carryforward indefinitely. The management does not expect to utilize entire amount of net operating losses and hence valuation allowance has been established for such losses. Valuation allowance for the year ended March 31, 2022, and March 31, 2021 is $1,553,963 and $1,182,356, respectively.

Accounting for uncertain tax position

The Company recognizes the financial statement impact of a tax position when it is more likely than not that the position will be sustained upon examination. The adoption of this standard had no material effect on the Company's financial position, results of operation or cash flows.

The tax years of 2018 through 2020 remains subject to examination by the taxing authorities.

NOTE Q - COMMITMENTS AND CONTINGENCIES

The Company, pursuant to acquisition of business from Legacy Weavers LLC, acquired lease agreements for the showrooms at High Point, North Carolina (“NC”) and Plains, Pennsylvania ("Plains"). The lease term expiry dates for North Carolina is July 31, 2023 and for Plains is December 31, 2022.

For the year ended March 31, 2022, the monthly lease rent is $4,571 (March 31, 2021: $4,571) for NC location and $7,170 (March 31, 2021: $7,170) for Plains locations. Future lease rental commitments are as under:

For the year ending	Amount
March 31, 2023	119,382
March 31, 2024	18,284

NOTE R - STOCKHOLDER'S EQUITY

Common stock
The authorized share capital of the Company is $7,500,000, comprising of 7,500 shares of par value $1,000 each. During the year ended March 31, 2022, the Company issued 1,800 common shares with a par value of $1,000 each at $1,800,000. As of March 31, 2022, 7,500 common stock are issued and outstanding.

Voting
Each holder of common stock is entitled to one vote in respect of each share held in the records of the Company for all matters submitted to a vote.

Liquidation
In the event of liquidation of the Company, the holders of common stock shall be entitled to receive all of the remaining assets of the Company, after distribution of all preferential amounts, if any. Such amounts will be in proportion to the number of equity shares held by the shareholders.

NOTE S - RISK AND UNCERTAINTIES

The Company's future results of operations involve several risks and uncertainties. Factors that could affect the Company's future operating results and cause actual results to vary materially from expectations include, competitive factors, including but not limited to pricing pressures, deterioration in general economic conditions, the Company's ability to effectively manage operating costs and increase operating efficiencies; declines in revenues; technological and market changes; the ability to attract and retain qualified employees and the Company's ability to execute on its business plan. The extent of the impact of the COVID-19 outbreak on operations of the Company will depend on future developments, including the duration and spread of the outbreak, related advisories and restrictions, government actions, the impact on financial markets and the overall economy, all of which are highly uncertain and cannot be predicted.

NOTE T - RELATED PARTY TRANSACTIONS

Related parties with whom transactions have taken place during the year

Sutlej Textiles and Industries Limited – parent company

Summary of transactions with related parties are as follows:

	March 31, 2022	March 31, 2021
Sutlej Textiles and Industries Limited		
Balances		
Payable	135,767	71,044
Transactions during the year		
Purchases	334,599	185,001
Consulting services	21,600	21,600

NOTE U - FINANCIAL INSTRUMENTS AND CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash equivalents and trade receivables. The cash resources of the Company are invested with banks after an evaluation of the credit risk. By their nature, all such cash equivalents and trade receivables involve risk including the credit risk of non-performance by counter parties. In management's opinion, as of March 31, 2022 and March 31, 2021, there was no significant risk of loss in the event of non-performance of the counter parties to these cash and cash equivalents and accounts receivable.

The Company's principal market is in North America. For the year ended March 31, 2022, the top five customers of the Company accounted for 41% of total revenue from operations of the Company whereas the top five product categories accounted for 98% of total sales. As at March 31, 2022, top five receivables of the Company accounted for 64% of total accounts receivable of the Company. For the year ended March 31, 2021, the top five customers of the Company accounted for 44% of total revenue from operations of the Company whereas the top five product categories accounted for 96% of total sales. As at March 31, 2021, top five receivables of the Company accounted for 66% of total accounts receivable of the Company.

As at March 31, 2022, top five payables of the Company accounted for 79% of total accounts payable of the Company. These suppliers accounted for approximately 43% of finished goods purchased by the Company during the year ended March 31, 2022. The goods they supply are widely available from many sources. As at March 31, 2021, top five payables of the Company accounted for 57% of total accounts payable of the Company. These suppliers accounted for approximately 79% of finished goods purchased by the Company during the year ended March 31, 2021.

NOTE V – FAIR VALUE MEASUREMENTS

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, line of credit, accounts payable and accrued liabilities. The estimated fair value of cash, accounts receivable, accounts payable, line of credit and accrued liabilities approximate their carrying amounts due to the short-term nature of these instruments. None of these instruments are held for trading purposes.

NOTE W - SUBSEQUENT EVENTS

The Company has evaluated subsequent events and transactions that occurred after March 31, 2022, through the date the consolidated financial statements were available to be issued. Based upon this evaluation the Company is not aware of any events or transactions that would require recognition or disclosure in the consolidated financial statements.